

STATE OF HAWAII

Accounting Manual

Volume III: Payroll Expenditures
Part 300: Deductions from Gross Payroll

Page 320.01

SECTION 320: STATUTORY DEDUCTIONS

1. General Comments. Statutory deductions are payroll withholdings mandated by State and Federal laws and by the courts of both the State and Federal governments. These deductions are not subject to the approval of the employee.
2. Legal Provisions. The legal provisions for statutory deductions are indicated below:

<u>Type of Deductions</u>	<u>Legal Provisions</u>
(a) Garnishments:	
(1) State of Hawaii Levy	Section 78-12, Hawaii Revised Statutes, (HRS)
(2) Federal Levy	Section 6332, Surrender of Property to Levy, Internal Revenue Code
(3) Support Orders	Sections 571-52 and 580-47, HRS
(4) Wage Earner's Plan	Chapter XIII, Wage Earner's Plan Bankruptcy Act of 1898
(5) Sequestered Salaries	Section 653-11, HRS
(6) Ordinary Garnishment	Section 653-11, HRS
(b) Income Withholding Taxes:	
(1) Hawaii	Section 235-61, HRS, and Employer's Tax Guide (Booklet A)
(2) Federal	Section 4947, Internal Revenue Code, and Employer's Tax Guide (Circular E)
(3) Ryukyuan	Act 44 of 1952, Ryukyuan Income Tax Law, as supplemented by the U. S. Civil Administration Ordinance 114
(4) American Samoa	Publication 570, "Tax Guide for U. S. Citizens Employed in U. S. Possessions (2-69)"

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Page 320.02

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| (c) FICA Tax | Section 3102, Internal Revenue Code,
and Section 88-216, HRS |
| (d) State Retirement | Sections 88-45 and 88-46, HRS |
| (e) U. S. Civil Service Retirement
System | U. S. Civil Service Act, and Pamphlet
18, "Your Retirement System",
U. S. Civil Service Commission |
| (f) Service Fee | Section 89-4, HRS |

3. Procedures. The detailed procedures related to the statutory deductions listed above are contained in subsequent sections of this Accounting Manual.
4. Forms. Various forms are used for statutory deductions. Some of the forms are specifically applicable to one type of deduction, and some are used in conjunction with other types of input data. Refer to Part 700, Appendix, for sample forms and related instructions.
5. Reports. Refer to Part 800, Appendix, for sample reports and related explanations.
6. General Statutory Deduction Procedures. General procedures which are commonly applicable to various types of statutory deductions are presented below.

(a) Departments.

- (1) Various input forms are processed by the departments under procedures applicable to each of the statutory deductions. These procedures include, in some cases, retention of the input forms in departmental reference files.
- (2) During a pay period, and as the need arises, Central Payroll may have to call upon the employing department or agency for information required to correct the EDIT AND VALIDATION ERROR REPORT. This report is a daily listing of exceptions resulting from the data entered into computer files.
- (3) No distribution of this report is made other than to Central Payroll, where information for correcting the exceptions will normally be available. The employing department or agency will be contacted for assistance only if such information is not available in Central Payroll.

SECTION 320: STATUTORY DEDUCTIONS

- (b) Assignees. The internal procedural requirements of agents are not discussed here, except to state the general schedule under which any forms affecting statutory deductions must be received by Central Payroll.
- (1) Forms for new or revised assignments should be submitted to Central Payroll on a daily basis, but no later than 4:00 p.m. of the first work day of the month, if they are to be reflected in the payroll for that month.
 - (2) Forms for assignment cancellations should be submitted to Central Payroll on a daily basis, but no later than 4:00 p.m. of the first work day of either pay period in a month, if they are to be reflected in that pay period.
 - (3) At the end of each pay period, a State of Hawaii WARRANT and related PAYROLL ASSIGNMENT REGISTER (2 copies) are received from Central Payroll.
- (c) Central Payroll.
- (1) One copy each of any form for new or revised statutory deductions is received daily from the departments or assignees, but no later than 4:00 p.m. of the first work day of the month, if the deduction is to be reflected in the current pay period.
 - (2) One copy each of any form for statutory deduction cancellation is received daily from the departments or assignees, but no later than 4:00 p.m. of the first work day of the pay period, if they are to be reflected in that pay period.
 - (3) The forms are reviewed, and sent to the data processing center; the last batch must be sent by 4:30 p.m. of the 5th work day before pay day. The forms that are processed for that day are returned on the following day with the processed "Correction Copy" of the daily EDIT AND VALIDATION ERROR REPORTS.
 - (4) The EDIT AND VALIDATION ERROR REPORT is received daily at 8:00 a.m. from the data processing center, together with all of the forms processed for the day. By 2:30 p.m. of the work day following the date of the report, the report is returned to the data processing center, with notations as to all necessary corrections.

SECTION 320: STATUTORY DEDUCTIONS

- (5) The PAYROLL TRANSACTIONS REGISTER, a register containing all transactions resulting from the various statutory source documents processed for the pay period, is received from the data processing center by 8:00 a.m. of the 2nd work day before pay day. After a summary review of this register, it is filed, as are the related forms.
 - (6) Three copies of the PAYROLL ASSIGNMENT REGISTER for each agent, the related State of Hawaii WARRANT, and the SUMMARY WARRANT VOUCHER are received at the end of each pay period. Two copies of each register and its related WARRANT are forwarded to the designated agent. A copy of each register is attached to the related SUMMARY WARRANT VOUCHER under which the WARRANTS were drawn and retained as part of the Comptroller files.
- (d) Data Processing Center.
- (1) The data processing center receives the various statutory deduction type forms daily from Central Payroll and records the information contained thereon in appropriate computer files.
 - (2) As a result of computer processing, the related PAYROLL TRANSACTIONS REGISTER, the EDIT AND VALIDATION ERROR REPORT, the PAYROLL ASSIGNMENT REGISTER, and the related State of Hawaii WARRANT and SUMMARY WARRANT VOUCHER are produced. These computer printouts are processed and assembled in appropriate sets for final distribution by Central Payroll on schedules described above.
 - (3) Corrections to computer files, if required, are made from source documents (the related "Correction Copy" of the EDIT AND VALIDATION ERROR REPORT, and the FILE MAINTENANCE SHEET prepared by Central Payroll) on which the correct data have been noted. All corrected source documents and assignment forms are returned to Central Payroll for final disposition at the end of each pay period.
7. Special Statutory Deduction Procedures. The procedures for processing documents related to each of the statutory deductions are generally stated in the individual sections. Any exceptions to the common detailed procedures are also indicated.